MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017 / 2018 SESSION

DAU5018 – AUDITING 1

(For Diploma Students Only)

31 MAY 2018
9:00 a.m. – 12: 00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **4** pages with **4** questions.
2. Answer **ALL** questions.
3. Please write your answers in the answer booklet provided.

QUESTION 1

PART A

Farid Kamal is an audit senior working at Brian & Co, an audit firm located at Kuantan, Pahang. The audit firm offers several types of audit services to its client.

Required:

List and briefly describe the **FOUR (4)** types of audit services that can be provided by Brian & Co. **(12 Marks)**

PART B

Companies Act 2016 requires that all companies in Malaysia are required to audit its financial statements.

Required:

Briefly describe the power and duties of an auditor related to the following matters below:

i. Opinion in audit report **(4 Marks)**
ii. Returns received **(2 Marks)**
iii. Procedures and method **(3 Marks)**
iv. Rights of access **(4 Marks)**

[TOTAL 25 MARKS]

Continued...

QUESTION 2

PART A

Preliminary engagement activities are conducted at the beginning of the audit before the beginning of field work. These activities comprise evaluation procedures for client acceptance and continuance, evaluation of ethical compliance, and establishing terms of engagements. The auditor will form an understanding with the client about the services to be performed and the terms of the engagement after decisions to accept or continue has been made.

Required:

(a) Provide **THREE (3)** purposes of preliminary engagement activities. **(6 Marks)**

(b) Explain engagement letter and its purpose. **(4 Marks)**

(c) State **FOUR (4)** contents of the engagement letter. **(4 Marks)**

PART B

In some situations, the auditor may not be able to express an unqualified audit opinion.

Required:

(a) List and explain **TWO (2)** situations where the issuance of an unqualified audit report may not be appropriate. **(8 Marks)**

(b) Identify the **THREE (3)** types of auditor's report an auditor may issue if the situations in (a) occur. **(3 Marks)**

[TOTAL 25 MARKS]

Continued...

QUESTION 3

PART A

In every audit process, auditors will allocate time to understand and document his or her understanding about the company's internal control.

Required:

(a) Identify any **THREE (3)** reasons auditors need to understand company's internal control. **(6 Marks)**

(b) State any **TWO (2)** audit procedures auditors may use to understand company's internal control. **(4 Marks)**

(c) List **FOUR (4)** tools that auditors may use to document the understanding of company's internal control. **(4 Marks)**

PART B

Growlight Berhad is a top manufacturer of lighting products in Malaysia. In 2017, the company spend RM 10 million to upgrade the company's internal control as the top management strongly belief that internal control plays an important role towards company success. The Chairman of Board of Director in the company, Mr Razak claimed that by spending huge amount of money in internal control, the company will have a perfect internal control system.

Required:

Do you agree with Mr Razak's statement? Provide **TWO (2)** reasons for your answer.

(6 Marks)

Continued...

PART C

(a) Briefly explain sufficiency of audit evidence. **(1 Mark)**

(b) Identify **FOUR (4)** factors that determine the reliability of audit evidence. **(4 Marks)**

[TOTAL 25 MARKS]

QUESTION 4

PART A

> Saiyidi, an audit manager of Jay & Co is preparing an audit plan for one of the firm's biggest client, New Steel Berhad. He assigned Jane, an audit assistant to perform preliminary analytical procedures and identify related parties in New Steel Berhad.

Required:

(a) Explain the need for auditors to identify related parties during the planning phase of an audit. **(2 Marks)**

(b) Briefly define the meaning of analytical procedures. **(2 Marks)**

(c) Provide **TWO (2)** objectives of performing preliminary analytical procedures during the planning phase of an audit. **(4 Marks)**

(d) State **TWO (2)** examples of types of analytical procedures that an auditor may perform during the audit process. **(4 Marks)**

PART B

(a) Identify **THREE (3)** similarities and **FOUR (4)** differences between internal auditor and external auditor. **(11 Marks)**

(b) Explain the importance of having external auditors to understand the company's internal audit activities. **(2 Marks)**

[TOTAL 25 MARKS]

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